

What is claimed is:

- 1 1. A method of pricing a financial product, the method comprising:
  - 2 receiving application data;
  - 3 selecting a price for said financial product;
  - 4 calculating, based at least in part on said application data, expected cash
  - 5 flow data;
  - 6 calculating, based at least in part on said expected cash flow data and
  - 7 said price, a potential return on investment (ROI) for said application; and
  - 8 approving said application with said price if said potential ROI is within a
  - 9 target ROI.
- 1 2. The method of claim 1, wherein said application data includes at least one
- 2 of: applicant information, collateral information, and payment information.
- 1 3. The method of claim 1, further comprising:
  - 2 repeating said selecting a price, calculating expected cash flow data, and
  - 3 calculating a potential ROI if said potential ROI is not within said target ROI.
- 1 4. The method of claim 3, wherein said selecting a price further comprises
- 2 increasing said price by an increment.
- 1 5. The method of claim 3, wherein said price is an annual percentage rate
- 2 (APR) and wherein said increment is 0.25.
- 1 6. The method of claim 3, wherein said selecting a price further comprises
- 2 decreasing said price by an increment.
- 1 7. The method of claim 1, wherein said price is an initial price, and wherein
- 2 said price is an annual percentage rate (APR), and said initial price is selected
- 3 below a current market APR.

1 8. The method of claim 1, further comprising calculating expected loss data,  
2 wherein said calculating comprises:  
3 executing an account level loss forecast model;  
4 executing a termination event model; and  
5 calculating an expected loss in response to the execution of the account  
6 level loss forecast model and the execution of the termination event model.

1 9. The method of claim 8, wherein said executing an account level loss  
2 forecast model further comprises:  
3 calculating a future value for an item of collateral associated with said  
4 application.

1 10. The method of claim 8, wherein said calculating expected loss data further  
2 comprises:  
3 executing a risk model to compute a credit risk; and  
4 generating probabilities of one or more termination events occurring  
5 before expiration of said financial product to form one or more termination  
6 scenarios.

1 11. The method of claim 10, wherein said calculating a potential ROI further  
2 comprises:  
3 forecasting, based at least on said price, the severity of loss of said  
4 termination scenarios to form one or more loss scenarios;  
5 calculating net income and annualized net investment for said loss  
6 scenarios; and  
7 determining a potential ROI based on a ratio comprising said net income and  
8 said annualized net investment.

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1 12. The method of claim 10, wherein said generating probabilities further  
2 comprises:  
3 generating probabilities of said termination events occurring in relation to a  
4 plurality of payment times.

1 13. The method of claim 11, wherein said forecasting the severity of loss  
2 further comprises:

3 forecasting the severity of loss of said termination scenarios for at least a  
4 plurality of payment times.

1 14. The method of claim 10, wherein said financial product requires an item of  
2 collateral and wherein said forecasting comprises:

3 forecasting a current balance on book; forecasting a market value of said  
4 collateral; and

5 calculating a difference between said current balance on book and said  
6 market value of said collateral.

1 15. The method of claim 14, wherein said forecasting a market value is  
2 performed using at least one of: Winter's multiplicative time series estimation; or  
3 an exponential decay between a manufacturer suggested retail price of said  
4 collateral and a residual value of said collateral at the expiration.

1 16. The method of claim 10, wherein said financial product is a lease.

1 17. The method of claim 16, wherein said termination events comprise at least  
2 one of: repossession with delinquencies, early payoff, insurance loss, and  
3 repossession without delinquencies.

1 18. The method of claim 10, wherein said financial product is a loan.

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1 19. The method of claim 18, wherein said termination events comprise at least  
2 one of: repossession, non-collateralized loss and early payoff.

1 20. A computer-readable medium bearing a computer program containing  
2 instruction steps such that upon installation of said computer program in a

3 general purpose computer, the computer is capable of performing the method of  
4 claim 1.

1 21. A method of pricing a financial product, the method comprising:  
2 receiving application data;  
3 selecting an initial price for said financial product;  
4 calculating, based at least in part on said application data, expected loss  
5 data;  
6 calculating, based at least in part on said expected loss data and said  
7 initial price, a potential return on investment (ROI) for said application;  
8 selecting a revised price for said financial product if said potential ROI  
9 based on said initial price is outside a target ROI;  
10 calculating, based at least in part on said expected loss data and said  
11 revised price, a revised potential ROI for said application; and  
12 approving said application if said revised potential ROI for said application  
13 is within a target ROI.

1 22. An apparatus for pricing a financial product, the apparatus comprising:  
2 a processor;  
3 a communication device, coupled to said processor, receiving application  
4 data from at least a first user device; and  
5 a storage device in communication with said processor and storing  
6 instructions adapted to be executed by said processor to:  
7 select a price for said financial product; calculate, based at least in  
8 part on said application data, expected loss data;  
9 calculate, based at least in part on said expected loss data and said  
10 price, a potential return on investment (ROI) for said application; and  
11 approve said application with said price if said potential ROI is  
12 within a target ROI.

1 23. The apparatus of claim 22, wherein said storage device further storing  
2 instructions adapted to be executed by said processor to:

3       select an updated price for said financial product if said potential ROI is  
4   not within a target ROI based on said initial price;  
5       calculate an updated potential ROI for said application; and  
6       approve said application with said updated price if said updated potential  
7   ROI is within said target ROI.

1   24.   A system for pricing a financial product, comprising:  
2       at least a first user device having a processor;  
3       a communication device, coupled to said processor, configured to send  
4   and receive data over a network; and  
5       a storage device in communication with said processor and storing  
6   instructions adapted to be executed by said processor to  
7       receive application data; and  
8       forward said application data to an at least first lender device said  
9   at least first lender device having  
10       a second processor,  
11       a second communication device, coupled to said second  
12   processor, configured to send and receive data over said network  
13       and to receive said application data;  
14   and  
15       a second storage device in communication with said second  
16   processor and storing instructions adapted to be executed by said second  
17   processor to  
18       select a price for said financial product;  
19       calculate, based at least in part on said application  
20   data, expected loss data;  
21       calculate, based at least in part on said expected loss  
22   data and said price, a potential return on investment (ROI)  
23       for said application; and  
24       approve said application with said price if said  
25   potential ROI is within a target ROI.

1 25. The system of claim 24, wherein said second storage device further  
2 storing instructions adapted to be executed by said second processor to forward  
3 application approval data to said at least first device.

1 26. A computer program product in a computer readable medium for pricing a  
2 financial product, comprising:  
3 first instructions for receiving application data;  
4 second instructions for selecting an initial price for said financial product;  
5 third instructions for calculating, based at least in part on said application  
6 data, expected loss data;  
7 fourth instructions for calculating, based at least in part on said expected  
8 loss data and said initial price, a potential return on investment (ROI) for said  
9 application;  
10 fifth instructions for selecting a revised price for said financial product if  
11 said potential ROI based on said initial price is outside a target ROI;  
12 sixth instructions for calculating, based at least in part on said expected  
13 loss data and said revised price, a revised potential ROI for said application; and  
14 seventh instructions for approving said application if said revised potential ROI  
15 for said application is within a target ROI.

1 27. A device for pricing a financial product, the device comprising:  
2 means for receiving application data;  
3 means for selecting a price for said financial product;  
4 means for calculating, based at least in part on said application data,  
5 expected loss data;  
6 means for calculating, based at least in part on said expected loss data  
7 and said price, a potential return on investment (ROI) for said application; and  
8 means for approving said application with said price if said potential ROI is within  
9 a target ROI.  
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